

Iosco County Medical Care Facility

**Financial Report
with Additional Information**

December 31, 2003

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Iosco County Medical Care Facility</u>	County <u>Iosco</u>
Audit Date 12-31-03	Opinion Date March 3, 2004	Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 67 West Michigan Avenue, Suite 500	City Battle Creek	State MI	ZIP 49068
Accountant Signature 			

Iosco County Medical Care Facility

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Independent Auditor's Report

To the Iosco County Medical Care Facility
Family Independence Agency Board

We have audited the balance sheet of Iosco County Medical Care Facility (a component unit of Iosco County, Michigan), as of December 31, 2003 and 2002, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iosco County Medical Care Facility at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Facility adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of January 1, 2003.

The Iosco County Medical Care Facility has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

March 3, 2004

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Iosco County Medical Care Facility

Balance Sheet

	December 31	
	2003	2002
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 1,999,134	\$ 1,630,950
Accounts receivable (Note 3)	443,734	538,565
Taxes receivable	528,769	391,637
Other current assets	51,451	57,464
Total current assets	3,023,088	2,618,616
Assets Limited as to Use (Note 2)	1,457,614	1,427,613
Property and Equipment (Note 4)	4,592,090	4,607,081
Total assets	<u>\$ 9,072,792</u>	<u>\$ 8,653,310</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 42,783	\$ 25,545
Accrued liabilities:		
Salaries	59,972	125,019
Sick and vacation pay	162,564	164,402
Maintenance of effort	5,780	10,698
Patient trust liability	8,394	3,963
Third-party settlements payable	79,000	79,000
Deferred proportionate share revenue	31,860	49,162
Deferred tax revenue	528,769	391,637
Total current liabilities	919,122	849,426
Net Assets		
Invested in capital assets	4,592,090	4,607,081
Unrestricted	3,561,580	3,196,803
Total net assets	8,153,670	7,803,884
Total liabilities and net assets	<u>\$ 9,072,792</u>	<u>\$ 8,653,310</u>

Iosco County Medical Care Facility

Statement of Revenue, Expenses and Changes in Net Assets

	Year Ended December 31	
	2003	2002
Operating Revenue		
Net patient service revenue	\$ 4,786,118	\$ 3,502,015
Other revenue	41,871	99,679
Proportionate share program revenue	80,902	152,910
Total operating revenue	4,908,891	3,754,604
Operating Expenses		
Salaries	2,618,263	2,227,318
Other expenses	2,338,640	2,050,770
Total operating expenses	4,956,903	4,278,088
Operating Income (Loss)	(48,012)	(523,484)
Nonoperating Revenues		
Interest income	22,017	47,098
Property tax revenue	375,781	354,944
Total nonoperating revenues	397,798	402,042
Net Income (Loss)	349,786	(121,442)
Transfer from County	-	3,290,000
Increase in Net Assets	349,786	3,168,558
Net Assets - Beginning of year	7,803,884	4,635,326
Net Assets - End of year	<u><u>\$ 8,153,670</u></u>	<u><u>\$ 7,803,884</u></u>

Iosco County Medical Care Facility

Statement of Cash Flows

	Year Ended December 31	
	2003	2002
Cash Flows from Operating Activities		
Cash received from patients and third-party payors	\$ 4,886,962	\$ 3,404,186
Cash received from other operating activities	41,871	99,679
Cash received from proportionate share program	63,600	77,367
Cash paid to employees and suppliers	<u>(4,788,701)</u>	<u>(4,012,838)</u>
Net cash provided by (used in) operating activities	203,732	(431,606)
Cash Flows from Noncapital Financing Activities		
Cash received from property tax levy	375,781	354,944
Patient trust deposits, net	<u>4,431</u>	<u>387</u>
Net cash provided by noncapital financing activities	380,212	355,331
Cash Flows from Capital and Related Financing Activities		
Purchase of property and equipment	(207,776)	(245,909)
Downpayment on new project costs	<u>-</u>	<u>(250,000)</u>
Net cash used in capital and related financing activities	(207,776)	(495,909)
Cash Flows from Investing Activities		
Interest received	<u>22,017</u>	<u>47,098</u>
Net Increase (Decrease) in Cash and Cash Equivalents	398,185	(525,086)
Cash and Cash Equivalents - Beginning of year (Note 2)	<u>3,058,563</u>	<u>3,583,649</u>
Cash and Cash Equivalents - End of year (Note 2)	<u>\$ 3,456,748</u>	<u>\$ 3,058,563</u>

Iosco County Medical Care Facility

Statement of Cash Flows (Continued)

A reconciliation of operating income (loss) to net cash from operating activities is as follows:

	Year Ended December 31	
	2003	2002
Operating income (loss)	\$ (48,012)	\$ (523,484)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	222,767	152,242
(Increase) decrease in assets:		
Accounts receivable	94,831	(49,514)
Taxes receivable	(137,132)	(22,809)
Other current assets	6,013	1,686
Increase (decrease) in liabilities:		
Accounts payable	17,238	4,271
Accrued liabilities	(71,803)	58,737
Deferred revenue	119,830	(52,735)
Net cash provided by (used in) operating activities	<u>\$ 203,732</u>	<u>\$ (431,606)</u>

There were no significant noncash investing or financing activities during 2003.

During the year ended December 31, 2002, the Facility had a significant noncash transaction in which Iosco County contributed a building addition of \$3,290,000.

Iosco County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 1 - Nature of Business and Significant Accounting Policies

Iosco County Medical Care Facility (the "Facility") is a component unit of the County of Iosco.

The Facility is an 83-bed, long-term medical care unit owned and operated by Iosco County. It is governed by the Iosco County Family Independence Agency Board. This Board consists of three members, two of whom are appointed by the Iosco County Board of Commissioners, and one appointed by the Michigan Governor. Further, the Iosco County Board of Commissioners approves the budget for the Facility.

The accounting policies of the Facility conform to generally accepted accounting principles as applicable to local governmental units. Because the Facility provides a service to citizens that is financed primarily by a user charge, the accounts of the Facility are accounted for as an Enterprise Fund.

Enterprise Fund Accounting - The Facility uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Basis for Presentation - The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. The Facility now follows the "business-type" activities reporting requirements of GASB Statement No. 34 that provide a comprehensive one-line look at the Facility's financial activities. There was no impact to the net assets of the Facility in adopting GASB No. 34.

Accrual Basis - The financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Cash Equivalents - The Facility considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Iosco County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Assets Limited as to Use - Assets limited as to use are stated at fair value and represent monies set aside for future capital purchases.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is computed on the straight-line method. Costs of repairs and maintenance are charged to expense as incurred.

Sick and Vacation Pay - Sick and vacation pay are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

Net Assets - Net assets of the Facility are classified in two components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Patient Trust Liability - The State Department of Treasury requires facilities to administer and account for monies of patients. The patient trust liability on the balance sheet represents patient trust fund deposits.

Maintenance of Effort - Maintenance of Effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid patient day that was approved by the State during that month. M.O.E. totaling \$54,764 and \$76,064 for 2003 and 2002, respectively, was paid by the Facility and is included in operating expenses.

Taxes Receivable/Deferred Tax Revenue - Taxes are levied on December 1 and are payable by February 15. The cities and townships within the County bill and collect the property taxes for the County. County property tax revenue is recognized when levied. Deferred property taxes are amounts levied at December 1 of the current year, but applied to future operations.

In 2002, the voters of Iosco County approved a levy annually up to \$.46 per \$1,000 of assessed valuation for the purpose of general operations of the Facility.

Iosco County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Net Patient Service Revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Approximately 89 percent of the revenue from patient services is received from the Medicare and Medicaid programs. The Facility has agreements with the Medicare and Medicaid programs to provide reimbursement to the Facility at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Facility's established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with these third-party payors follows:

- ◆ **Medicare** - Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.
- ◆ **Medicaid** - Services rendered to Medicaid program beneficiaries are paid at prospectively determined rates based on a cost reimbursement methodology.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity Care - The Facility provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Facility does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Charity care was less than 1% of gross charges for the years ended December 31, 2003 and 2002.

Iosco County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Proportionate Share Reimbursement Program - During the years ended December 31, 2003 and 2002, the Facility participated in this program sponsored by the State of Michigan.

In 2003, two transactions were completed. The first transaction in September was recorded in revenue in relation to the State fiscal year ended September 30, 2003. The second transaction in October was for the State fiscal year ended September 30, 2004 and therefore was recognized one quarter in revenue and three quarters in deferred revenue.

In 2002, two transactions were completed. The first transaction in September was recorded in revenue in relation to the State fiscal year ended September 30, 2002. The second transaction in October was for the State fiscal year ended September 30, 2003 and therefore was recognized one quarter in revenue and three quarters in deferred revenue.

Reclassifications – Certain 2002 balances have been reclassified to conform with 2003 presentations.

Iosco County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 2 - Deposits

The Facility's deposits at December 31, 2003 and 2002 were composed of the following:

		2003		
		Assets		
		Limited as		
		Cash	to Use (3)	Total
Petty cash		\$ 300	\$ -	\$ 300
Deposits:				
County	(1)	1,981,751	1,457,614	3,439,365
Bank	(2)	8,689	-	8,689
Patient trust	(2)	8,394	-	8,394
Total cash and cash equivalents		<u>\$ 1,999,134</u>	<u>\$ 1,457,614</u>	<u>\$ 3,456,748</u>

		2002		
		Assets		
		Limited as		
		Cash	to Use (3)	Total
Petty cash		\$ 300	\$ -	\$ 300
Deposits:				
County	(1)	1,615,965	1,427,613	3,043,578
Bank	(2)	10,722	-	10,722
Patient trust	(2)	3,963	-	3,963
Total cash and cash equivalents		<u>\$ 1,630,950</u>	<u>\$ 1,427,613</u>	<u>\$ 3,058,563</u>

- (1) **Deposit - County** - These funds were under the control of the County Treasurer, who deposited these funds with a bank. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the entire County deposits.
- (2) **Deposit - Bank** - The above deposits were reflected in the accounts of the bank at \$269,238 and \$41,594 at December 31, 2003 and 2002, respectively, without recognition of checks written but not yet cleared or of deposits in transit. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the entire County deposits.
- (3) **Assets Limited as to Use** - The assets limited as to use are funds designated by the Iosco County Family Independence Agency Board for future capital purchases.

Iosco County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 3 - Accounts Receivable

The details of accounts receivable are as follows:

	<u>2003</u>	<u>2002</u>
Patient receivables	\$ 568,598	\$ 688,565
Less allowance for uncollectible accounts	<u>(124,864)</u>	<u>(150,000)</u>
Accounts receivable	<u>\$ 443,734</u>	<u>\$ 538,565</u>

Iosco County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 4 - Property and Equipment

Cost of property and equipment and depreciable lives are summarized as follows:

	2003	2002	Additions	Retirements/ Transfers	2003	Depreciable Life-Years
Cost:						
Building and improvements	\$ 4,889,631	\$ 4,889,631	\$ 111,813	\$ -	\$ 5,001,444	10-25
Equipment	853,606	853,606	95,963	493,280	1,442,849	5-40
Advance on construction	500,000	500,000	-	(500,000)	-	
Total	6,243,237	6,243,237	<u>\$ 207,776</u>	<u>\$ (6,720)</u>	6,444,293	
Accumulated depreciation:						
Building and improvements	946,883	946,883	\$ 90,303	\$ (6,720)	1,030,466	
Equipment	689,273	689,273	132,464	-	821,737	
Total	1,636,156	1,636,156	<u>\$ 222,767</u>	<u>\$ (6,720)</u>	1,852,203	
Net carrying amount	\$ 4,607,081	\$ 4,607,081			\$ 4,592,090	

	2002	2001	Additions	Retirements/ Transfers	2002	Depreciable Life-Years
Cost:						
Building and improvements	\$ 1,297,981	\$ 1,297,981	\$ 3,591,650	\$ -	\$ 4,889,631	10-25
Equipment	759,347	759,347	94,259	-	853,606	5-40
Advance on construction	400,000	400,000	100,000	-	500,000	
Total	2,457,328	2,457,328	<u>\$ 3,785,909</u>	<u>\$ -</u>	6,243,237	
Accumulated depreciation:						
Building and improvements	847,580	847,580	\$ 99,303	\$ -	946,883	
Equipment	636,334	636,334	52,939	-	689,273	
Total	1,483,914	1,483,914	<u>\$ 152,242</u>	<u>\$ -</u>	1,636,156	
Net carrying amount	\$ 973,414	\$ 973,414			\$ 4,607,081	

In 2002, Iosco County Building Authority completed construction of a 28 bed Alzheimers' addition with total cost of approximately \$3,440,000. The County Building Authority issued bonds of \$3,290,000 to fund the addition. The remaining costs were paid out of Facility funds. The bonds have a maturity date of June 2020 with fixed interest rates ranging from 5.0-5.5%. The County received voter approval for a tax levy of \$.35 per \$1,000 of taxable value for 20 years to fund the debt service.

During construction, the County Building Authority accounted for all the activities relating to these projects. Upon completion of the Alzheimers' addition in 2002, the Facility recorded the capitalized assets on the Facility's books as a contribution from the County.

Iosco County Medical Care Facility

Notes to Financial Statements December 31, 2003 and 2002

Note 5 - Defined Benefit Multiple Employer Pension Plan

As disclosed in Note 1, the Facility is a component unit of Iosco County. Iosco County, including the Facility, participates in the Michigan Municipal Employees' Retirement System. Michigan Municipal Employees' Retirement System is an agent multiple-employer defined benefit pension plan that covers all employees of the County. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. This information can be requested by writing to: Iosco County, PO Box 538, Tawas City, Michigan 48764.

The obligation to contribute to, and maintain, the System for these employees was established by negotiations with the County's competitive bargaining units, and requires a contribution from the employees of 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. The Facility's contribution requirement is actuarially determined and is equal to the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years.

Facility contributions to the plan for the years ended December 31, 2003, 2002 and 2001 were \$156,817, \$109,258, and \$86,966, respectively.

Note 6 - Risk Management

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Facility has purchased commercial insurance for malpractice and general liability claims, workers' compensation and employee medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Facility is insured against potential professional liability claims under an occurrence-basis policy, whereby all claims resulting from incidents that occur during the policy period are covered up to insured limits, regardless of when the claims are reported to the insurance carrier. There are no known outstanding or pending claims at December 31, 2003 and 2002.

Additional Information



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To the Iosco County Family Independence Agency Board
Iosco County Medical Care Facility

We have audited the financial statements of the Iosco County Medical Care Facility for the years ended December 31, 2003 and 2002. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of net patient service revenue and operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

March 3, 2004

Iosco County Medical Care Facility

Schedule of Net Patient Service Revenue

	Year Ended December 31	
	2003	2002
Daily room service:		
Medicaid	\$ 3,800,433	\$ 2,540,450
Medicare	371,364	288,764
Private pay and other	<u>517,758</u>	<u>509,330</u>
Total daily room services	4,689,555	3,338,544
Ancillary services:		
Pharmacy	182,652	88,525
Physical therapy	84,491	84,352
Occupational therapy	82,587	80,804
Speech therapy	47,817	17,075
Laboratory	10,883	5,450
Radiology	<u>5,248</u>	<u>1,872</u>
Total ancillary services	<u>413,678</u>	<u>278,078</u>
Total patient revenue	5,103,233	3,616,622
Provision for contractual adjustments	284,097	107,012
Charity care	<u>33,018</u>	<u>7,595</u>
Total revenue deductions	<u>317,115</u>	<u>114,607</u>
Net patient service revenue	<u>\$ 4,786,118</u>	<u>\$ 3,502,015</u>

Iosco County Medical Care Facility

Schedule of Operating Expenses

	Year Ended December 31			
	2003			2002
	Salaries	Other	Total	Total
Administration	\$ 282,569	\$ 253,422	\$ 535,991	\$ 516,812
Maintenance	85,585	227,269	312,854	299,429
Laundry	65,405	30,060	95,465	91,878
Housekeeping	184,018	28,072	212,090	174,236
Dietary	237,523	194,634	432,157	404,511
Pharmacy	-	71,670	71,670	65,239
Nursing	1,546,192	169,612	1,715,804	1,357,960
Physical therapy	139,084	2,978	142,062	136,147
Occupational therapy	-	324	324	-
Diversional therapy	77,887	1,821	79,708	71,588
Combined therapy services	-	-	-	7,570
Laboratory	-	11,891	11,891	4,538
Speech therapy	-	18,134	18,134	7,686
X ray and cardiology	-	6,914	6,914	1,979
Eden alternative	-	4,651	4,651	17,655
Barber and beautician	-	386	386	250
Physicians' services	-	10,121	10,121	9,991
Inservice education	-	3,085	3,085	230
Fringe benefits	-	1,026,065	1,026,065	882,083
Depreciation	-	222,767	222,767	152,242
Maintenance of effort	-	54,764	54,764	76,064
Total - 2003	<u>\$ 2,618,263</u>	<u>\$ 2,338,640</u>	<u>\$ 4,956,903</u>	
Total - 2002	<u>\$ 2,227,318</u>	<u>\$ 2,050,770</u>		<u>\$ 4,278,088</u>



To the Iosco County Family Independence Agency Board
Iosco County Medical Care Facility
Tawas City, Michigan

In planning and performing our audit of the financial statements of Iosco County Medical Care Facility for the year ended December 31, 2003, we considered the Facility's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. In reviewing the Facility's processes and systems, we made an observation we feel should be communicated to you. We have also summarized additional areas for Board consideration.

Accounts Receivable

During our audit we noted approximately \$80,000 of accounts receivable that have remained on the books. The majority of this sum comes from Medicare and Blue Cross receivables carried over from one year to the next. We discussed this with the Facility Administrator and Controller and feel there is an opportunity to collect approximately \$12,000 on these older accounts. As an allowance has already been established for these potentially uncollectible accounts, we recommend these accounts be submitted to the FIA Board for their approval. Writing-off the uncollectible accounts will provide a clearer picture of your total collectible accounts receivable balance.

New Controller

The addition of a new Controller has had a very positive impact on many aspects of your finances. Not only has your financial position improved drastically, but your financial records have never been in such outstanding condition since we have been affiliated with your Facility. The days revenue in accounts receivable has decreased significantly from 76 days in 2002 to 44 days in 2003. As you are aware, we audit most of the county medical care facilities in Michigan and your records now compare with the best of them at year end. Your new Controller seems to be doing an excellent job and should be commended for the impact he has made since he joined your Facility.

Thank you for the opportunity to be of service to the Facility. Should you wish to discuss any of the items included in this report, we would be happy to do so.

Plante & Moran, PLLC

March 3, 2004